

Message Text

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ACTION EB-07

INFO OCT-01 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 FPC-01 H-01 INR-07 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-04 USIA-06 OES-06 SP-02

SS-15 STR-04 TRSE-00 ACDA-07 ISO-00 AF-08 ARA-06

EA-07 EUR-12 NEA-10 PA-01 PRS-01 /133 W

-----111233Z 004001 /13

R 111150Z JAN 77

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 0000

INFO AMEMBASSY ALGIERS

USINT BAGHDAD

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY CARACAS

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

AMEMBASSY LONDON

C O N F I D E N T I A L ABU DHABI 0133

DEPT PASS BAGHDAD

E.O. 11652: GDS

TAGS : ENRG, TC

SUBJECT : UAE ANNOUNCES NEW OIL PRICES

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REF: ABU DHABI 117

1. SUMMARY. IN SPITE OF RECENT WIRE SERVICE REPORTS THAT UAE WOULD ALLOW SIGNIFICANT INCREASE IN ITS OIL PRODUCTION, THERE IS NO INDICATION THAT ANY DECISION HAS BEEN MADE TO DO SO. WHILE UAE PRODUCTION WILL CONTINUE TO RISE IN 1977 FROM PRESENT 2 MILLION BPD TO ABOUT 2.2 MILLION BPD, IT WILL BE AT SLOW AND

MEASURED PACE. END SUMMARY.

2. WIRE SERVICE REPORTS, WHICH WERE ALSO CARRIED IN LOCAL PRESS, HAVE STATED THAT ABU DHABI, LARGEST OF UAE OIL EMIRATES, WOULD FOLLOW SAUDI ARABIA'S LEAD AND INCREASE ITS OIL PRODUCTION FROM 1.5 MILLION BPD TO 2 MILLION BPD. WHILE WE UNABLE TO TRACK DOWN EXACTLY BASIS FOR STORY, BELIEVE IT ORIGINATED FROM REMARK OIL MINISTER UTAYBA MAY HAVE MADE WHILE RECENTLY IN LONDON THAT UAE HAD BEEN STUDYING WHETHER TO INCREASE PRODUCTION.

3. FROM ALL OUR TALKS WITH UAE OFFICIALS HERE, THERE DOES NOT APPEAR TO BE ANY CONSCIOUS DECISION TO DELIVERATELY OPEN THE VALVVE TO INCREASE PRODUCTION. THE ISSUE OF INCREASED PRODUCTION HAS BEEN CONSIDERED AND WHILE NO FINAL DECISION HAS YET BEEN MADE, GENERAL CONSENSUS IS THAT NOTHING SPECIAL SHOULD BE DONE. REASONS APPEAR TO BE: (A) ANY INCREASE IN UAE PRODUCTION COULD NOT MAKE SIGNIFICANT DENT (MAXIMUM POSSIBLE INCREASE WOULD BE 500,000 BPD OVER ONE YEAR PERIOD); (B) INCREASING PRODUCTION AT THIS TIME WOULD, IN MINSTATE GHUBBASH'S WORDS, ONLY ATTRACT IRAQI AND IRANIAN ANIMUS AGAINST UAEG WHICH HAS ALREADY BEEN CRITICIZED BY THESE QUARTERS FOR ITS STAND WITH SAUDI ARABIA ON OIL PRICES; AND (C) THERE GROWING NUMBER OF UAEG OFFICIALS WHO PUSHING FOR CONSERVATION AND WHO UNWILLING SEE SIGNIFICANT INCREASE UNTIL ECONOMIC USE MADE OF ASSOCIATED GAS NOW BEING FLARED. ANOTHER FACTOR, WHICH HAS BEEN ALLUDED TO ON SEVERAL OCCASIONS, IS CONCERN THAT INCREASED PRODUCTION WILL ONLY ENCOURAGE POORER ARAB STATES TO INCREASE THEIR DEMANDS ON UAE FOR ADDITIONAL FINANCIAL ASSISTANCE.
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4. ALTHOUGH THESE FACTORS WILL PROBABLY PREVENT ANY SUDDEN INCREASE IN PRODUCTION, OVERALL LEVEL OF UAE OIL PRODUCTION CAN BE EXPECTED TO CONTINUE TO RISE DURING 1977 BASED ON DECISION FOR ALLOWABLES THAT WERE TAKEN BEFORE OPEC CONFERENCE IN DOHA. THERE IS NO INCIATION THAT UAEG INTENDS BACK OFF FROM THESE DECISIONS. IN JANUARY 9 ANNOUNCEMENT ON NEW POSTED PRICES (REFTEL), PRESS ALSO CARRIED STATEMENT FROM ABU DHABI OIL DEPARTMENT WHICH STRESSED THAT DECISION TO INCREASE ABU DHABI PRODUCTION FROM 1.6 MILLION BPD TO 1.75 MILLION BPD IN 1977 WAS TAKEN BEFORE DOHA CONFERENCE.

5. THUS IN 1977, IT IS ANTICIPATED THAT OFFSHORE ADMA PRODUCTION WILL RISE FROM 490,000 AT END OF 1976 TO 580,000 BY END OF 1977 FOR WEIGHTED AVERAGE DURING YEAR OF ABOUT 550,000 BPD (COMPARED TO 450,000 BPD IN 1976). ONSHORE ADPC ALLOWABLE FOR 1977 IS 1,035,000 BPD OR INCREASE OF 35,000 BPD. INCREASE IN PRODUCTION FROM OTHER SMALLER OFFSHORE FIELDS IN ABU DHABI AND OTHER EMIRATES SHOULD BRING IN ANOTHER

30 TO 40,000 BPD. AS A RESULT, UAE PRODUCTION CURRENTLY AT
2 MILLION BPD SHOULD RISE BY END OF 1977 TO AT LEAST 2.2 MILLION
BPD WHICH SHOULD PLACE UAE IN FOURTH RANK AS WORLD OIL
EXPORTER.
DICKMAN

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Message Attributes

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